

CITY OF HUXLEY
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

June 30, 2013

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CITY OF HUXLEY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Craig Henry.	Mayor.	Jan 2014
Marjorie Nerness..	Council Member.	Jan 2014
David Kuhn.	Council Member.	Jan 2014
Scott Wilson..	Council Member.	Jan 2014
Mark Baker.	Council Member.	Jan 2016
Tracey Roberts..	Council Member.	Jan 2016
John Haldeman..	City Administrator..	Indefinite
Amy Beattie..	Attorney..	Indefinite
Jolene Lettow..	City Clerk.	Indefinite
Matthew Law..	City Treasurer.	Indefinite
Gabe Nelson..	City Engineer..	Indefinite

City of Huxley



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CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Huxley, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Huxley, Iowa as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huxley, Iowa's basic financial statements. Other Auditors' previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 12 and 32 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2013 on our consideration of Huxley, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Huxley, Iowa's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Huxley provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2.8%, or approximately \$262,000 from fiscal year 2012 to fiscal year 2013. Property tax and tax increment financing increased approximately \$199,000, bond and loan proceeds increased by approximately \$867,000, uses of money and property increased by approximately \$28,000 charges for service decreased by approximately \$230,000, operative grants decreased approximately \$250,000 and capital grants decreased approximately \$842,000.
- Disbursements of the City's governmental activities decreased 52.9%, or approximately \$5,671,000, from fiscal year 2012 to fiscal year 2013. General government and debt service increased \$113,000, and \$328,000 respectively, while capital projects decreased \$5,784,000.
- The City's total cash basis net position increased 86.3% or approximately \$6,013,000 from fiscal year 2012 to fiscal year 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$4,223,000 and the cash basis net position of the business type activities increased approximately \$1,790,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consist of a statement of a cash basis statement of activities and net position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, and the City's indebtedness. In addition, the Schedule of Capital Projects provides information about the various projects of the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Road Use Tax and 3) the Debt Service Fund 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer funds, considered to be major funds of the City. The City also maintains one non major Enterprise Fund to account for meter deposits.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities has increased from a year ago, increasing from approximately \$6.125 million to approximately \$10.349 million. The analysis that follows focuses on these changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 230	\$ 482
Operating grants, contributions and restricted interest	534	784
Capital grants, contributions and restricted interest	177	1,019
General receipts:		
Property tax	3,154	2,955
Other city tax	361	358
Unrestricted interest on investments	33	5
Bond proceeds, net	4,587	3,720
Other general receipts	186	201
Total receipts	<u>9,262</u>	<u>9,524</u>
Disbursements:		
Public safety	545	553
Public works	305	300
Health and social services	12	20
Culture and recreation	460	497
Community and economic development	286	566
General government	473	360
Debt service	2,547	2,219
Capital projects	423	6,207
Total disbursements	<u>5,051</u>	<u>10,722</u>
Change in cash basis net position before transfers	4,211	(1,198)
Transfers, net	<u>12</u>	<u>(3,589)</u>
Change in cash basis net position	4,223	(4,787)
Cash basis net position beginning of year	<u>6,126</u>	<u>10,912</u>
Cash basis net position end of year	<u>\$ 10,349</u>	<u>\$ 6,125</u>

The City's total receipts for governmental activities decreased by 2.8 percent or approximately \$263,000. The total cost of all programs and services decreased by approximately \$5,671,000 or 52.9 percent with no new programs added this year. The significant increase in receipts was primarily the result of refunding bonds issued in the current year to pay down existing bonds associated with general obligation.

The cost of all governmental activities this year was approximately \$5.051 million compared to approximately \$10.722 million last year. However, as shown in the Statement of Activities and Net Position on pages 14-15, the amount that taxpayers ultimately financed for these activities was only approximately \$4.1 million because some of the cost was paid by those directly benefitted from the programs (approximately \$230,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$0.7 million). Overall, the City's governmental activities program receipts, including

intergovernmental aid and fees for service, decreased in fiscal year 2013 from approximately \$2.3 million to approximately \$0.9 million, principally due to a majority of the capital projects being funded in the previous year. The City paid for the remaining “public benefit” portion of governmental activities (approximately \$4.1 million) with tax (some of which could only be used for certain programs) and with other receipts, such as unrestricted interest and other general receipts.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Years ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 588	\$ 486
Sewer	619	510
General receipts:		
Bond proceeds, net	1,894	-
Unrestricted interest on investments	-	9
Miscellaneous	48	55
Total receipts	<u>3,149</u>	<u>1,060</u>
Disbursements:		
Water	542	481
Sewer	789	4,324
Other business-type activities	16	13
Total disbursements	<u>1,347</u>	<u>4,818</u>
Change in cash basis net position before transfers	1,802	(3,758)
Transfers, net	<u>(12)</u>	<u>3,589</u>
Change in cash basis net position	1,790	169
Cash basis net position beginning of year	<u>841</u>	<u>169</u>
Cash basis net position end of year	<u>\$ 2,631</u>	<u>\$ 841</u>

Total business type activities receipts for the fiscal year were \$3,149,000 compared to \$1,060,000 in the prior year. This significant increase was due primarily to the net receipts of \$1,894,000 of water and sewer revenue refunding bonds. Total disbursements for the fiscal year decreased by 72.0% to \$1,347,000. This significant decrease was due primarily to the decrease in sewer debt service payments.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Huxley completed the year, its governmental funds reported a combined fund balance of \$10.349 million, an increase of \$4.223 million from last year’s total of \$6.126 million. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased from a positive balance of \$730,559 in 2012 to a positive balance of \$414,884 in 2013. The decrease is due in part to the increased general fund expenditures and decreased net transfers into the fund.
- The Special Revenue, Road Use Tax Fund cash balance increased from a positive balance of \$399,723 in 2012 to a positive balance of \$486,630 in 2013. This increase is primarily due to decreased public works expenditures.

- The Special Revenue, Urban Renewal Tax Increment Fund cash balance decreased from a positive balance of \$142,393 in 2012 to a negative balance of \$95,785 in 2013 due to payment of debt service and an increase in transfers.
- The Debt Service Fund cash balance increased from \$22,556 in 2012 to \$4,789,711 in 2013 due to the sale of \$4,590,000 crossover refunding bonds.
- The Capital Projects Fund cash balance decreased by \$142,987 to \$4,352,526, which was due primarily to transfers to Debt Service and Special Revenue Funds.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$1,033,754 to \$1,806,959 due primarily to bond proceeds of \$985,000 and increased charges for service.
- The Enterprise, Sewer Fund cash balance increased by \$756,757 to \$784,237. Sewer revenues increased by \$97,200 and bond proceeds of \$925,000 were received. Also, debt service payments decreased.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 28, 2013 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$468,305 less than budgeted. This was primarily due to the City receiving less in miscellaneous receipts than anticipated, even after the amendments.

Even with the budget amendments, total disbursements were \$4,945,360 less than the amended budget. Disbursements for capital projects were approximately \$2,077,000 less than budgeted. The business type activities were approximately \$1,918,000 less than budgeted.

Amounts budgeted in the debt service function for the year ended June 30, 2013 were exceeded. The differences may be due to classification of expenditures and will be reviewed in the next fiscal year.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$32,264,000 in bonds compared to \$27,412,000 last year, as shown below:

Outstanding Debt at Year-End		
	June 30	
	2013	2012
General obligation bonds		
Corporate purpose and other	\$27,042,000	\$23,957,000
Revenue bonds	5,222,000	3,455,000
Total	<u>\$32,264,000</u>	<u>\$27,412,000</u>

Debt increase as a result of issuing \$4,590,000 general obligation annual appropriation refunding bonds for the purpose of paying the costs of advance refunding the outstanding balance of the 2006C bonds.

\$985,000 was issued for water revenue refunding bonds for the purpose of refunding the 2002 water revenue bonds. \$925,000 sewer revenue bonds were issued for refunding the 2014 to 2025, inclusive, maturities of the City's sewer revenue 2009 bonds.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$6,662,000 is below the City's \$9.985 million legal debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of HUXLEY's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees charged for various City activities. The economy in the area has improved slightly with small change in our unemployment rate in the past year. Unemployment in Story County now stands at 4.2% versus 5.4% a year ago. This compares with the State's unemployment rate of 4.8%.

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI-U for July 2012 was 228.723. For the 12 month period that ended in July, 2013 the CPI-U increased 1.90 percent.

These indicators were taken into account when adopting the budget for fiscal year 2014. Based on the tax rate of \$11.083889 per \$1,000 of taxable valuation, the City expects to generate \$844,253 in property tax revenue for fiscal year 2014. Total General Fund revenues at this time are anticipated to be approximately \$419,046. Revenues from all funds, including Enterprise Funds, are anticipated to be \$9.251 million.

The City's deficit funds have been a significant concern to the City and a concerted effort has been made to reduce these deficits.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact John Haldeman, City Administrator, 515 N. Main Avenue, Huxley, Iowa 50124.

Basic Financial Statements

CITY OF HUXLEY

Statement of Activities and Net Position

As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 545,376	\$ 23,464	\$ 45,693	\$ -
Public works	304,851	-	319,656	-
Health and social services	12,147	-	61,706	-
Culture and recreation	459,964	142,002	21,292	-
Community and economic development	285,948	-	-	-
General government	472,638	64,605	86,107	-
Debt service	2,547,380	-	-	-
Capital projects	422,661	-	-	176,728
Total governmental activities	<u>5,050,965</u>	<u>230,071</u>	<u>534,454</u>	<u>176,728</u>
Business type activities:				
Water	541,546	587,665	-	-
Sewer	788,833	618,824	-	-
Other	16,335	-	-	-
Total business type activities	<u>1,346,714</u>	<u>1,206,489</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 6,397,679</u></u>	<u><u>\$1,436,560</u></u>	<u><u>\$ 534,454</u></u>	<u><u>\$ 176,728</u></u>

General receipts and transfers:

Property tax levied for:
 General purposes
 Employee benefits
 Debt service
 Tax increment financing
 Other city tax
 Unrestricted interest on investments
 Bond proceeds
 Bond discount
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Expendable:
 Debt service
 Streets
 Capital projects
 Deposits
 Unrestricted:

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (476,219)	\$ -	\$ (476,219)
14,805	-	14,805
49,559	-	49,559
(296,670)	-	(296,670)
(285,948)	-	(285,948)
(321,926)	-	(321,926)
(2,547,380)	-	(2,547,380)
(245,933)	-	(245,933)
(4,109,712)	-	(4,109,712)
-	46,119	46,119
-	(170,009)	(170,009)
-	(16,335)	(16,335)
-	(140,225)	(140,225)
(4,109,712)	(140,225)	(4,249,937)
457,311	-	457,311
9,120	-	9,120
405,976	-	405,976
2,281,768	-	2,281,768
360,618	-	360,618
32,903	-	32,903
4,595,000	1,910,000	6,505,000
(7,762)	(16,300)	(24,062)
185,885	47,991	233,876
11,690	(11,690)	-
8,332,509	1,930,001	10,262,510
4,222,797	1,789,776	6,012,573
6,125,769	840,820	6,966,589
\$10,348,566	\$2,630,596	\$12,979,162
\$ 4,789,711	\$1,847,541	\$ 6,637,252
486,630	-	486,630
4,753,126	-	4,753,126
-	39,400	39,400
319,099	743,655	1,062,754
\$10,348,566	\$ 2,630,596	\$12,979,162

CITY OF HUXLEY

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2013

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 457,311	\$ -	\$ -
Tax increment financing	-	-	2,281,768
Other city tax	15,180	-	-
Licenses and permits	64,605	-	-
Use of money and property	32,903	-	-
Intergovernmental	214,798	317,656	-
Charges for service	165,466	-	-
Special assessments	4,160	-	-
Miscellaneous	80,106	3,281	95,600
Total receipts	<u>1,034,529</u>	<u>320,937</u>	<u>2,377,368</u>
Disbursements:			
Operating:			
Public safety	545,376	-	-
Public works	70,821	234,030	-
Health and social services	12,147	-	-
Culture and recreation	459,964	-	-
Community and economic development	94,149	-	166,212
General government	422,101	-	-
Debt service	-	-	235,321
Capital projects	31,707	-	-
Total disbursements	<u>1,636,265</u>	<u>234,030</u>	<u>401,533</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(601,736)</u>	<u>86,907</u>	<u>1,975,835</u>
Other financing sources (uses):			
Bond proceeds	-	-	5,000
Bond discount	-	-	-
Sale of capital assets	-	-	-
Operating transfers in	406,610	-	-
Operating transfers out	(120,549)	-	(2,219,013)
Total other financing sources (uses)	<u>286,061</u>	<u>-</u>	<u>(2,214,013)</u>
Change in cash balances	(315,675)	86,907	(238,178)
Cash balances beginning of year	<u>730,559</u>	<u>399,723</u>	<u>142,393</u>
Cash balances end of year	<u>\$ 414,884</u>	<u>\$ 486,630</u>	<u>\$ (95,785)</u>
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	\$ -	\$ -
Streets	-	486,630	-
Other purposes	-	-	-
Assigned	5,165	-	-
Unassigned	<u>409,719</u>	<u>-</u>	<u>(95,785)</u>
Total cash basis fund balances	<u>\$ 414,884</u>	<u>\$ 486,630</u>	<u>\$ (95,785)</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
\$ 405,976	\$ -	\$ 9,120	\$ 872,407
-	-	-	2,281,768
-	-	345,438	360,618
-	-	-	64,605
-	-	-	32,903
-	49,955	-	582,409
-	-	-	165,466
-	1,012	-	5,172
-	11,761	4,738	195,486
405,976	62,728	359,296	4,560,834
-	-	-	545,376
-	-	-	304,851
-	-	-	12,147
-	-	-	459,964
-	-	25,587	285,948
-	-	50,537	472,638
2,312,059	-	-	2,547,380
-	390,954	-	422,661
2,312,059	390,954	76,124	5,050,965
(1,906,083)	(328,226)	283,172	(490,131)
4,590,000	-	-	4,595,000
(7,762)	-	-	(7,762)
-	114,000	-	114,000
2,091,000	436,239	455,968	3,389,817
-	(365,000)	(673,565)	(3,378,127)
6,673,238	185,239	(217,597)	4,712,928
4,767,155	(142,987)	65,575	4,222,797
22,556	4,495,513	335,025	6,125,769
\$4,789,711	\$4,352,526	\$400,600	\$10,348,566
\$4,789,711	\$ -	\$ -	\$ 4,789,711
-	-	-	486,630
-	4,352,526	400,600	4,753,126
-	-	-	5,165
-	-	-	313,934
\$4,789,711	\$4,352,526	\$400,600	\$10,348,566

CITY OF HUXLEY

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2013

	Enterprise			Total
	Water	Sewer	Nonmajor Meter Deposits	
Operating receipts:				
Charges for service	\$ 587,665	\$618,824	\$ -	\$1,206,489
Meter deposits	-	-	15,600	15,600
Total operating receipts	587,665	618,824	15,600	1,222,089
Operating disbursements:				
Business type activities	382,287	364,723	16,335	763,345
Total operating disbursements	382,287	364,723	16,335	763,345
Excess (deficiency) of operating receipts over (under) operating disbursements	205,378	254,101	(735)	458,744
Non-operating receipts (disbursements):				
Miscellaneous	19,375	13,016	-	32,391
Bond proceeds	985,000	925,000	-	1,910,000
Bond discount	(5,050)	(11,250)	-	(16,300)
Debt service	(155,810)	(412,086)	-	(567,896)
Capital projects	(3,449)	(12,024)	-	(15,473)
Net non-operating receipts	840,066	502,656	-	1,342,722
Excess (deficiency) of receipts over (under) disbursements	1,045,444	756,757	(735)	1,801,466
Transfers:				
Transfers in	-	-	-	-
Transfers (out)	(11,690)	-	-	(11,690)
	(11,690)	-	-	(11,690)
Change in cash balances	1,033,754	756,757	(735)	1,789,776
Cash balances beginning of year	773,205	27,480	40,135	840,820
Cash balances end of year	<u>\$1,806,959</u>	<u>\$784,237</u>	<u>\$ 39,400</u>	<u>\$2,630,596</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$1,223,452	\$624,089	\$ -	\$1,847,541
Unrestricted:				
Deposits	-	-	39,400	39,400
Other	583,507	160,148	-	743,655
Total cash basis fund balances	<u>\$1,806,959</u>	<u>\$784,237</u>	<u>\$ 39,400</u>	<u>\$2,630,596</u>

See notes to financial statements.

CITY OF HUXLEY

Notes to Financial Statements

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Huxley is a political subdivision of the State of Iowa located in Story County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Huxley has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Huxley has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Story County Assessor's Conference Board, Story County Joint E911 Service Board, and Story County Emergency Management Commission. The City also participates in the Ames Story County Affordable Housing Partnership, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. Additionally, the City has a Chapter 28E agreement with the Ballard Community School district to operate the 3Cs Community Center. See Note 7 for additional Explanation.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of the interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position result when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

B. Basis of Presentation - Continued

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances can be classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

F. Property Taxes

All City property taxes must be certified to the Polk County Auditor on or before the fifteenth day of March of each year for the upcoming fiscal year which runs from July 1 to June 30. Property taxes are levied in June and attached as an enforceable lien on the property on July 1.

Property taxes levied for the year ending June 30, 2013, attached as an enforceable lien on July 1, 2012, with the first half installment being delinquent after September 30, 2012 and the second half installment being delinquent after March 31, 2013.

(2) CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(2) CASH AND POOLED INVESTMENTS - CONTINUED

The City's investments at June 30, 2013 are as follows:

	Carrying Amount	Market Value
U.S. EE Savings Bonds	\$ 12,100	\$ 17,188
U.S. Treasury Notes	<u>4,477,630</u>	<u>4,477,630</u>
	<u>\$4,489,730</u>	<u>\$4,494,818</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipts) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and revenue bonds are as follows:

	Balance June 30, 2012	Issued	Redeemed	Balance June 30, 2013
Governmental Activities				
General obligation bonds	\$ 23,957,000	\$ 4,590,000	\$ 1,505,000	\$ 27,042,000
	<u>\$ 23,957,000</u>	<u>\$ 4,590,000</u>	<u>\$ 1,505,000</u>	<u>\$ 27,042,000</u>
Business Type Activities				
Revenue bonds	\$ 3,455,000	\$ 1,915,000	\$ 148,000	\$ 5,222,000
	<u>\$ 3,455,000</u>	<u>\$ 1,915,000</u>	<u>\$ 148,000</u>	<u>\$ 5,222,000</u>

Interest rates range from 0.75% to 5.50% on the general obligation notes and bonds. The revenue bond interest rates are from 0.65% to 3.00%. The City paid \$1,122,738 in interest on debt obligations for the year ended June 30, 2013.

Debt service requirements for general obligation bonds, note and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest		
2014	\$ 5,501,000	\$1,067,532	\$1,185,000	\$ 140,991	\$ 6,686,000	\$1,208,523
2015	1,466,000	796,530	238,000	106,632	1,704,000	903,162
2016	1,487,000	760,594	246,000	103,274	1,733,000	863,868
2017	1,533,000	719,477	253,000	99,391	1,786,000	818,868
2018	1,589,000	673,367	255,000	94,938	1,844,000	768,305
2019-2023	10,046,000	2,332,296	1,224,000	391,661	11,270,000	2,723,957

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(3) BONDS AND NOTES PAYABLE - CONTINUED

Year Ending June 30,	General Obligation		Revenue		Total	
	Bonds		Bonds			
	Principal	Interest	Principal	Interest		
2024-2028	4,710,000	488,711	621,000	260,975	5,331,000	749,686
2029-2033	710,000	50,730	530,000	176,117	1,240,000	226,847
2034-2038	-	-	622,000	84,208	622,000	84,208
2039	-	-	48,000	4,452	48,000	4,452
Total	\$27,042,000	\$6,889,237	\$5,222,000	\$1,462,639	\$32,264,000	\$8,351,876

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,816,000 in water revenue bonds issued in February 2002 and \$985,000 in water refunding bonds issued in April, 2013. Proceeds from the bonds provided financing for water improvement projects. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$2,165,092. For the current year, principal and interest paid and total customer net receipts were \$122,200 and \$202,728, respectively.

The City also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,325,000 in sewer revenue bonds issued in June 2010 and \$925,000 in sewer refunding bonds issued in April, 2013. Proceeds from the bonds provide financing for the cost of construction improvements and extensions to the Municipal Sanitary Sewer System of the City. These bonds were partially refunded by the issuance of general obligation refunding bonds in February 2012. The remaining revenue bonds are payable solely from sewer customer net receipts and are payable through 2039. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$4,638,976. For the current year, principal and interest paid and total customer net receipts were \$129,482 and \$254,101, respectively.

The resolutions providing for the issuance of revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The water and sewer systems shall maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue bond.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(3) BONDS AND NOTES PAYABLE - CONTINUED

Revenue Bonds - Continued

- (d) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

Water Revenue Refunding Bonds, Series 2013B

This bond is one of a series of water refunding bonds, series 2013B entered into by the City for the purpose of providing funds to pay costs of current refunding the outstanding balance on the City's water revenue bonds, series 2002, dated February 8, 2002.

This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$48,700.

Sewer Revenue Refunding Bonds, Series 2013C

This bond is one of a series of sewer refunding bonds, series 2013C for the purpose of providing funds to pay costs of current refunding the 2014 to 2025, inclusive, maturities of the sewer revenue bonds, series 2009, dated August 26, 2009.

This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$37,800.

Crossover Refunding

The general obligation annual appropriation refunding bonds series 2013A is one of a series of general obligation annual appropriation refunding bonds, series 2013A for the purpose of paying the costs of advance refunding the balance of the City's general obligation annual appropriation corporate purpose bonds, series 2006C, dated October 15, 2006.

This results in an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$192,700.

There was created and established with the agent a special and irrevocable escrow account to be held in the custody of the agent. The City used the funds to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for future debt service on the refunded portion of these bonds at their callable dates.

The issuer represents, covenants and warrants that there will be, on the 2014 redemption date, sufficient principal amounts and of interest income from the government obligations and cash in the escrow account to prepay the principal of the optional series 2006C bonds.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(3) BONDS AND NOTES PAYABLE - CONTINUED

The bond issues will be recalled on June 1, 2014. At June 30, 2013 the City had \$4,477,630 in an escrow account for payment of the 2006C bonds on June 1, 2014.

(4) PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of annual covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$91,478, \$85,174 and \$72,200, respectively, equal to the required contributions for each year.

(5) COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement, or death. Employees may carry unused time forward to the next benefit year. If the total amount of unused vacation time exceeds two times the annual vacation amount at the end of any calendar year, excess vacation time will be lost. Sick leave has no maximum accumulation and is paid at the rate of 12.5% for 10 years, 25% after 15 years of full-time employment and if the employee has not been terminated by the City with cause. The City also has a policy of converting unused sick leave over to vacation after reaching 200 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 67,662
Compensatory time	1,361
Sick leave	<u>58,991</u>
Total	<u>\$128,014</u>

Sick leave is payable when used or after an employment period of at least ten (10) years, upon termination, retirement or death.

This liability has been computed based on rates of pay as of June 30, 2013.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(6) DEFERRED COMPENSATION

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The Plan, available to all full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death or an unforeseeable emergency.

(7) INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

Transfer to	Transfer from	Amount
General Fund:	Special Revenue:	
	Employee benefits	\$ 9,127
	Local option sales tax	345,438
	Tax increment financing	52,045
Debt Service Fund:	Special Revenue:	
	LMI	319,000
	Tax increment financing	1,487,000
	Capital projects	285,000
Special Revenue:		
Regency Development	Capital projects	80,000
LMI	Special Revenue:	
	Tax increment financing	375,968
Capital Projects:	General Fund	120,549
	Special Revenue:	
	Tax increment financing	304,000
	Proprietary Fund:	
	Water	<u>11,690</u>
Total		<u><u>\$3,389,817</u></u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) COMMITMENTS

In 1996, the City of Huxley, Iowa entered into a 28E agreement with the City of Ames, Iowa to participate in a waste reclamation, recycling and solid waste disposal system. The City of Ames, Iowa governs, controls, administers and operates the system and determines the amount of current and future debt required to operate the system.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(8) **COMMITMENTS - CONTINUED**

The City of Huxley, Iowa is obligated to pay its proportionate share of the operating costs plus debt service less income until June 30, 2014 unless both parties agree to terminate. The share is determined based on the ratio that the population of the City of Huxley, Iowa bears to the total of the population of all the participants. The City's share is presently 3.36% of the total and the payment for the year ended June 30, 2013 was \$32,977.

In 2001, the City of Huxley, Iowa entered into a 28E agreement with the Ballard Community School District for the construction and operation of a community center and a library. The center is jointly operated and governed by the City of Huxley, Iowa and Ballard Community School District. The City was responsible for the construction of the building. Each party is responsible for certain equipment required in the operation of the center and any maintenance required. The City is obligated by the agreement until June 30, 2051 unless both parties agree to terminate.

(9) **ECONOMIC DEVELOPMENT**

Economic development is a public purpose for which the City may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons as provided by Section 15A.1 of the Code of Iowa.

The City entered into the following loan agreements in which the borrowers have applied to the City for financial assistance under this section of the Code in connection with the borrower's plan to locate and enlarge its business enterprise within the City's corporate limits. The proceeds of the loans were considered disbursements in the tax increment financing fund in the appropriate fiscal years. These are forgivable loans which do not have to be paid back if all requirements are met.

<u>Borrower</u>	<u>Date of Loan</u>	<u>Amount Expended</u>
Hillebrand LIC	October 27, 2009	\$ 45,000
Bioforge Labs, LC	November 23, 2010	100,000
B Fabulous BBQ & Catering	March 28, 2011	3,000

(10) **RISK MANAGEMENT**

The City is exposed to various of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF HUXLEY

Notes to Financial Statements - Continued

June 30, 2013

(11) DEFICIT BALANCES

The City had deficit balances at June 30, 2013, as follows:

<u>Fund</u>	<u>Amount</u>
Special Revenue:	
Tax increment financing	\$95,785
Employee benefits	7
Capital Projects:	
Wastewater facility project	2,333
HDC extension	250,239
Timberline culvert extension	9,400
Centennial West	8,710
NMN Ave storm water	148,330

(12) REVENUE RESERVE BALANCES

Revenue reserve balances are not available for general operating use. They are included with their respective water or sewer cash balances on Exhibit C. Cash balances at end of year are summarized as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Other</u>	<u>Total</u>
General operation	\$ 583,507	\$ 160,148	\$ -	\$ 743,655
Sinking fund	1,223,452	624,089	-	1,847,541
Customer deposits	-	-	39,400	39,400
	<u>\$1,806,959</u>	<u>\$ 784,237</u>	<u>\$ 39,400</u>	<u>\$2,630,596</u>

(13) SUBSEQUENT EVENTS

The City has evaluated subsequent events through November 15, 2013, the date the financial statements were available to be issued.

City of Huxley

Other Information

CITY OF HUXLEY

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 872,407	\$ -	\$ 872,407
Tax increment financing collections	2,281,768	-	2,281,768
Other city tax	360,618	-	360,618
Licenses and permits	64,605	-	64,605
Uses of money and property	32,903	-	32,903
Intergovernmental	582,409	-	582,409
Charges for service	165,466	1,206,489	1,371,955
Special assessments	5,172	-	5,172
Miscellaneous	309,486	47,991	357,477
Total receipts	4,674,834	1,254,480	5,929,314
Disbursements:			
Public safety	545,376	-	545,376
Public works	304,851	-	304,851
Health and social services	12,147	-	12,147
Culture and recreation	459,964	-	459,964
Community and economic development	285,948	-	285,948
General government	472,638	-	472,638
Debt service	2,547,380	-	2,547,380
Capital projects	422,661	-	422,661
Business type activities	-	1,346,714	1,346,714
Total disbursements	5,050,965	1,346,714	6,397,679
Excess (deficiency) of receipts over (under) disbursements	(376,131)	(92,234)	(468,365)
Other financing sources, net	4,598,928	1,882,010	6,480,938
Excess of receipts and other financing sources over disbursements and other financing uses	4,222,797	1,789,776	6,012,573
Balances beginning of year	6,125,769	840,820	6,966,589
Balances end of year	\$10,348,566	\$2,630,596	\$12,979,162

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance- Positive (Negative)
Original	Final	
\$ 778,295	\$ 778,295	\$ 94,112
2,450,500	2,450,500	(168,732)
490,974	490,974	(130,356)
36,000	36,000	28,605
23,000	23,000	9,903
367,700	367,700	214,709
1,431,950	1,431,950	(59,995)
-	-	5,172
819,200	819,200	(461,723)
6,397,619	6,397,619	(468,305)
552,840	585,340	39,964
346,870	346,870	42,019
14,615	14,615	2,468
489,660	537,660	77,696
1,015,334	1,271,834	985,886
343,360	491,760	19,122
2,329,575	2,329,575	(217,805)
2,500,000	2,500,000	2,077,339
1,431,485	3,264,485	1,917,771
9,023,739	11,342,139	4,944,460
(2,626,120)	(4,944,520)	4,476,155
284,000	2,117,000	4,363,938
(2,342,120)	(2,827,520)	8,840,093
11,280,117	6,966,589	-
\$ 8,937,997	\$ 4,139,069	\$8,840,093

CITY OF HUXLEY

Required Supplemental Information

Notes To Required Supplementary Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital project funds, permanent fund and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$2,318,400. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service function.

Supplementary Information

CITY OF HUXLEY

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2013

		Special Revenue	
	Employee Benefits	Trust and Agency	Local Option Sales Tax
Receipts:			
Property tax	\$ 9,120	\$ -	\$ -
Other city tax	-	-	345,438
Miscellaneous	-	-	-
Total receipts	9,120	-	345,438
Disbursements:			
Operating:			
Community and econ. dev.	-	-	-
General government	-	-	-
Total disbursements	-	-	-
Excess (deficiency) of receipts over (under) disbursements	9,120	-	345,438
Other financing (sources):			
Operating transfers in	-	-	-
Operating transfers (out)	(9,127)	-	(345,438)
Total other financing sources (uses)	(9,127)	-	(345,438)
Change in cash balances	-	-	-
Cash balances beginning of year	(7)	319	-
Cash balances end of year	\$ (7)	\$ 319	\$ -
Cash Basis Fund Balances			
Restricted:			
Other purposes	\$ -	\$ 319	\$ -
Unassigned	(7)	-	-
Total cash basis fund balances	\$ (7)	\$ 319	\$ -

See accompanying independent auditor's report.

LMI	Regency Development	Total
\$ -	\$ -	\$ 9,120
-	-	345,438
4,488	250	4,738
4,488	250	359,296
25,587	-	25,587
-	50,537	50,537
25,587	50,537	76,124
(21,099)	(50,287)	283,172
375,968	80,000	455,968
(319,000)	-	(673,565)
56,968	80,000	(217,597)
35,869	29,713	65,575
314,657	20,049	335,025
\$ 350,526	\$ 49,762	\$ 400,600
\$ 350,526	\$ 49,762	\$ 400,607
-	-	(7)
\$ 350,526	\$ 49,762	\$ 400,600

CITY OF HUXLEY

Schedule of Indebtedness

Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water Improvement bond, Series 2003SRF	Apr. 16, 2003	3.00%	\$ 500,000
Corporate purpose bonds, Series 2006A	Apr. 15, 2006	4.10 - 4.20	465,000
Corporate purpose bonds, Series 2006C	Oct. 15, 2006	4.65 - 5.50	6,650,000
Corporate purpose bonds, Series 2009A	Mar. 15, 2009	3.70 - 5.05	5,800,000
Refunding bonds - Series 2010A	Apr. 29, 2010	1.00 - 1.75	1,435,000
Corporate purpose bonds - Series 2010C	Jun. 09, 2010	4.00 - 4.85	2,145,000
Corporate purpose bonds - Series 2010D	Jun. 30, 2010	3.00 - 5.15	6,295,000
Refunding bonds - Series 2012A	Feb. 29, 2012	0.75- 3.60	3,720,000
Refunding bonds - Series 2013A	Apr. 30, 2013	1.40 - 3.00	4,590,000
Total			
Revenue bonds:			
Water - Series 2002 SRF	Feb. 08, 2002	3.00%	\$1,816,000
Sewer - Series 2009 SRF	Aug. 26, 2009	3.00	6,325,000
Water refunding bonds - Series 2013B	Apr. 30, 2013	0.65 - 2.00	985,000
Sewer refunding bonds - Series 2013C	Apr. 30, 2013	0.85 - 2.60	925,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 287,000	\$ -	\$ 25,000	\$ 262,000	\$ 8,610
60,000	-	20,000	40,000	2,460
5,355,000	-	455,000	4,900,000	257,948
5,620,000	-	100,000	5,520,000	254,500
475,000	-	475,000	-	8,313
2,145,000	-	-	2,145,000	92,625
6,295,000	-	260,000	6,035,000	281,995
3,720,000	-	170,000	3,550,000	112,605
-	4,590,000	-	4,590,000	-
<u>\$23,957,000</u>	<u>\$4,590,000</u>	<u>\$1, 505,000</u>	<u>\$27,042,000</u>	<u>\$1,019,056</u>
\$ 1,040,000	\$ -	\$ 91,000	\$ 949,000	\$ 31,200
2,415,000	5,000	57,000	2,363,000	72,482
-	985,000	-	985,000	-
-	925,000	-	925,000	-
<u>\$ 3,455,000</u>	<u>\$1,915,000</u>	<u>\$ 148,000</u>	<u>\$ 5,222,000</u>	<u>\$ 103,682</u>

CITY OF HUXLEY

Bond Maturities

June 30, 2013

Year Ending June 30,	General Obligation					
	Water Improvement		Corporate Purpose		Corporate Purpose	
	Series 2003					
	Issued Apr. 16, 2003		Issued Apr. 15, 2006		Issued Oct. 15, 2006	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	3.00%	\$ 26,000	4.10%	\$20,000	4.65%	\$ 4,900,000
2015	3.00	26,000	4.20	20,000	4.70	-
2016	3.00	27,000		-	4.75	-
2017	3.00	28,000		-	4.80	-
2018	3.00	29,000		-	4.85	-
2019	3.00	30,000		-	4.90	-
2020	3.00	31,000		-	4.95	-
2021	3.00	32,000		-	5.00	-
2022	3.00	33,000		-	5.00	-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
2029		-		-		-
2030		-		-		-
2031		-		-		-
Total		<u>\$ 262,000</u>		<u>\$40,000</u>		<u>\$4,900,000</u>

See accompanying independent auditor's report.

Bonds					
Corporate Purpose		Corporate Purpose		Corporate Purpose	
Issued Mar. 15, 2009		Series 2010C Issued Jun. 9, 2010		Series 2010D Issued Jun. 30, 2010	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
3.70%	\$ 100,000	4.30%	\$ -	3.00%	\$ 280,000
3.80	360,000	4.30	-	3.25	290,000
3.95	375,000	4.30	-	3.80	315,000
4.05	390,000	4.30	-	4.15	335,000
4.20	405,000	4.30	-	4.35	360,000
4.30	425,000	4.30	-	4.60	385,000
4.50	440,000	4.30	230,000	4.65	415,000
4.60	460,000	4.00	240,000	4.75	440,000
4.70	485,000	4.10	250,000	4.85	2,005,000
4.80	505,000	4.20	260,000	4.95	290,000
4.90	530,000	4.25	270,000	5.00	295,000
4.95	560,000	4.30	285,000	5.05	305,000
5.05	485,000	4.40	300,000	5.15	320,000
-	-	4.85	310,000	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
	<u>\$5,520,000</u>		<u>\$2,145,000</u>		<u>\$6,035,000</u>

CITY OF HUXLEY

Bond Maturities

June 30, 2013

Year Ending June 30,	General Obligation Bonds				
	Refunding Bonds		Refunding Bonds		Total
	Series 2012A		Series 2013A		
	Issued Feb. 29, 2012		Issued Apr. 30, 2013		
Interest			Interest		
Rates	Amount	Rates	Amount		
2014	.75%	\$ 175,000	- %	\$ -	\$ 5,501,000
2015	1.00	175,000	1.40	595,000	1,466,000
2016	1.20	170,000	1.75	600,000	1,487,000
2017	1.45	170,000	1.95	610,000	1,533,000
2018	2.00	175,000	2.25	620,000	1,589,000
2019	2.00	175,000	2.40	545,000	1,560,000
2020	2.00	180,000	2.70	550,000	1,846,000
2021	2.35	185,000	2.95	575,000	1,932,000
2022	2.50	190,000	3.00	495,000	3,458,000
2023	2.60	195,000		-	1,250,000
2024	2.70	200,000		-	1,295,000
2025	2.85	205,000		-	1,355,000
2026	3.00	210,000		-	1,315,000
2027	3.15	215,000		-	525,000
2028	3.25	220,000		-	220,000
2029	3.40	230,000		-	230,000
2030	3.50	235,000		-	235,000
2031	3.60	245,000		-	245,000
Total		\$3,550,000		\$ 4,590,000	\$27,042,000

See accompanying independent auditor's report.

City of Huxley

CITY OF HUXLEY

Bond Maturities

June 30, 2013

Year Ending June 30,	Water Series 2002 SRF		Sewer Series 2009 SRF		Revenue Bonds Water Refunding Series 2013B	
	Issued Feb. 8, 2002		Issued Aug. 26, 2009		Issued Apr. 30, 2013	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2014	3.00%	\$ 949,000	3.00%	61,000	.65%	\$ 105,000
2015	3.00	-	3.00	63,000	.65	105,000
2016	3.00	-	3.00	66,000	.65	105,000
2017	3.00	-	3.00	68,000	1.05	110,000
2018	3.00	-	3.00	70,000	1.05	110,000
2019	3.00	-	3.00	72,000	1.45	110,000
2020	3.00	-	3.00	74,000	1.45	110,000
2021	3.00	-	3.00	77,000	2.00	115,000
2022	3.00	-	3.00	79,000	2.00	115,000
2023		-	3.00	82,000		-
2024		-	3.00	85,000		-
2025		-	3.00	87,000		-
2026		-	3.00	90,000		-
2027		-	3.00	93,000		-
2028		-	3.00	96,000		-
2029		-	3.00	99,000		-
2030		-	3.00	103,000		-
2031		-	3.00	106,000		-
2032		-	3.00	109,000		-
2033		-	3.00	113,000		-
2034		-	3.00	117,000		-
2035		-	3.00	120,000		-
2036		-	3.00	124,000		-
2037		-	3.00	128,000		-
2038		-	3.00	133,000		-
2039		-	3.00	48,000		-
Total		<u>\$ 949,000</u>		<u>\$2,363,000</u>		<u>\$ 985,000</u>

See accompanying independent auditor's report.

Sewer Refunding		
Series 2013C		
Issued Apr. 30, 2013		
Interest Rates	Amount	Total
.85%	\$ 70,000	\$ 1,185,000
.85	70,000	238,000
.85	75,000	246,000
.85	75,000	253,000
.85	75,000	255,000
1.45	75,000	257,000
1.45	75,000	259,000
1.45	80,000	272,000
2.10	80,000	274,000
2.10	80,000	162,000
2.10	85,000	170,000
2.60	85,000	172,000
	-	90,000
	-	93,000
	-	96,000
	-	99,000
	-	103,000
	-	106,000
	-	109,000
	-	113,000
	-	117,000
	-	120,000
	-	124,000
	-	128,000
	-	133,000
	-	48,000
	<u>\$ 925,000</u>	<u>\$ 5,222,000</u>

CITY OF HUXLEY

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2013	2012	2011	2010	2009
Receipts:					
Property tax	\$ 872,407	\$ 521,753	\$ 486,891	\$ 504,925	\$ 521,709
Tax increment financing	2,281,768	2,331,296	2,082,328	1,809,929	1,401,757
Other city tax	360,618	459,438	443,675	441,883	471,286
Licenses and permits	64,605	15,443	26,978	102,388	41,556
Use of money and property	32,903	80,887	169,911	120,538	121,394
Intergovernmental	582,409	1,534,637	841,870	390,224	516,318
Charges for service	165,466	214,352	206,270	182,824	132,806
Miscellaneous	314,658	646,236	2,104,352	501,787	282,877
Total	<u>\$4,674,834</u>	<u>\$5,804,042</u>	<u>\$6,362,275</u>	<u>\$4,054,498</u>	<u>\$3,489,703</u>
Disbursements:					
Operating:					
Public safety	\$ 545,376	\$ 552,613	\$ 502,356	\$ 490,676	\$ 465,675
Public works	304,851	300,472	310,234	273,784	296,437
Health and social services	12,147	19,605	13,925	6,444	9,178
Culture and recreation	459,964	496,862	546,736	522,903	555,495
Community and economic development	285,948	566,156	835,841	853,009	285,585
General government	472,638	360,225	324,630	331,736	328,393
Debt service	2,547,380	2,144,232	1,998,560	2,965,121	3,577,542
Capital projects	422,661	6,207,457	4,227,689	9,359,577	1,851,598
Total	<u>\$5,050,965</u>	<u>\$10,647,622</u>	<u>\$8,759,971</u>	<u>\$14,803,250</u>	<u>\$7,369,903</u>

See accompanying independent auditor's report.

2008	2007	2006	2005	2004
\$ 416,132	\$ 339,290	\$ 348,687	\$ 334,144	\$ 327,945
1,345,159	1,556,180	1,391,187	1,374,213	1,256,304
443,409	404,126	332,421	275,023	257,696
50,262	70,590	95,823	34,993	10,278
150,843	216,214	57,707	38,952	27,703
621,149	448,215	423,630	466,595	461,985
158,820	194,608	201,695	201,695	224,594
172,928	837,137	195,931	195,931	157,580
<u>\$3,358,702</u>	<u>\$4,066,360</u>	<u>\$3,047,081</u>	<u>\$2,921,546</u>	<u>\$2,724,085</u>
\$ 482,646	\$ 389,463	\$ 485,408	\$ 579,136	\$ 573,322
297,981	376,101	334,468	172,008	163,792
4,725	6,212	9,150	10,070	6,470
504,748	439,898	420,765	423,321	390,593
196,960	124,188	401,808	332,313	328,821
317,211	468,144	351,975	282,191	241,381
1,589,192	1,263,068	698,250	499,620	791,258
3,327,782	3,957,667	1,771,258	158,420	224,306
<u>\$6,721,245</u>	<u>\$7,024,741</u>	<u>\$4,473,082</u>	<u>\$2,457,079</u>	<u>\$2,719,943</u>

CITY OF HUXLEY

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Capital Projects

As of and for the year ended June 30, 2013

	Street Construction and Repair	Wastewater Facility Project	Centennial Park	SE Annexation Project	HDC Extension
Receipts:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	1,012	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	1,012	-	-	-	-
Disbursements:					
Capital projects	-	2,353	3,185	-	-
Total disbursements	-	2,353	3,185	-	-
Excess (deficiency) of receipts over (under) disbursements	1,012	(2,353)	(3,185)	-	-
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Operating transfers in	409,000	-	-	-	-
Operating transfers (out)	(122,581)	-	(33,516)	(497)	-
Total other financing sources (uses)	286,419	-	(33,516)	(497)	-
Change in cash balances	287,431	(2,353)	(36,701)	(497)	-
Cash balances (deficits) beginning of year	119,212	120	36,701	497	(250,239)
Cash balances (deficits) end of year	\$406,643	\$ (2,233)	\$ -	\$ -	\$(250,239)
Cash Basis Fund Balances					
Restricted for:					
Other purposes	\$406,643	\$ (2,233)	\$ -	\$ -	\$(250,239)
Total cash basis fund balances	\$406,643	\$ (2,233)	\$ -	\$ -	\$(250,239)

See accompanying independent auditor's report.

Oak/ Main	Undesignated Capital Projects	Grocery Store	Timberline Culvert Ext	Blue Sky Project	Storm Water Improvement	FEMA Damage
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	97,649	12,959	-
-	-	-	-	97,649	12,959	-
-	-	-	-	(97,649)	(12,959)	-
-	-	-	-	-	-	-
-	627,105	-	-	-	-	-
(1,038)	(523,951)	(29,897)	-	-	(50,000)	(1,917)
(1,038)	103,154	(29,897)	-	-	(50,000)	(1,917)
(1,038)	103,154	(29,897)	-	(97,649)	(62,959)	(1,917)
1,038	3,091,518	29,897	(9,400)	97,649	546,611	1,917
\$ -	\$3,194,672	\$ -	\$ (9,400)	\$ -	\$ 483,652	\$ -
\$ -	\$3,194,672	\$ -	\$ (9,400)	\$ -	\$ 483,652	\$ -
\$ -	\$3,194,672	\$ -	\$ (9,400)	\$ -	\$ 483,652	\$ -

CITY OF HUXLEY

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Capital Projects - Continued

As of and for the year ended June 30, 2013

	Pond/Dam Repair	Sport Complex	City Property Sales	Safe Room	Prairie Ridge
Receipts:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 49,955	\$ -
Special assessments	-	-	-	-	-
Miscellaneous	-	-	-	11,761	-
Total receipts	-	-	-	61,716	-
Disbursements:					
Capital projects	-	-	-	23,618	27,555
Total disbursements	-	-	-	23,618	27,555
Excess (deficiency) of receipts over (under) disbursements	-	-	-	38,098	(27,555)
Other financing sources (uses):					
Sale of capital assets	-	-	114,000	-	-
Operating transfers in	-	-	-	-	-
Operating transfers (out)	(427)	(3,075)	-	(46,480)	(280,677)
Total other financing sources (uses)	(427)	(3,075)	114,000	(46,480)	(280,677)
Change in cash balances	(427)	(3,075)	114,000	(8,382)	(308,232)
Cash balances (deficits) beginning of year	427	3,075	-	8,382	817,678
Cash balances (deficits) end of year	\$ -	\$ -	\$ 114,000	\$ -	\$ 509,446
Cash Basis Fund Balances					
Restricted for:					
Other purposes	\$ -	\$ -	\$ 114,000	\$ -	\$ 509,446
Total cash basis fund balances	\$ -	\$ -	\$ 114,000	\$ -	\$ 509,446

See accompanying independent auditor's report.

Centennial West	Water Tower Painting	US 69/ E 1 st St Signal	Northview Sewer Lining	Main Ave Storm Water Sewer	Intrafund Eliminations	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,955
-	-	-	-	-	-	1,012
-	-	-	-	-	-	11,761
-	-	-	-	-	-	62,728
9,140	11,690	54,475	-	148,330	-	390,954
9,140	11,690	54,475	-	148,330	-	390,954
(9,140)	(11,690)	(54,475)	-	(148,330)	-	(328,226)
-	-	-	-	-	-	114,000
-	11,690	57,500	60,000	-	(729,056)	436,239
-	-	-	-	-	729,056	(365,000)
-	11,690	57,500	60,000	-	-	185,239
(9,140)	-	3,025	60,000	(148,330)	-	(142,987)
430	-	-	-	-	-	4,495,513
(8,710)	-	3,025	60,000	(148,330)	-	\$ 4,352,526
\$ (8,710)	\$ -	\$ 3,025	\$ 60,000	\$(148,330)	-	\$ 4,352,526
\$ (8,710)	\$ -	\$ 3,025	\$ 60,000	\$(148,330)	-	\$ 4,352,526

City of Huxley



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Huxley, Iowa as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Huxley's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Huxley's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Huxley's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the City of Huxley's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in internal control described in Part II of the accompanying Schedule of Findings as items II-A-13 through II-F-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part III of the accompanying Schedule of Findings as items III-E-13, III-G-13 and III-H-13 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Huxley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Huxley's Responses to Findings

The City of Huxley's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Huxley's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Huxley during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Martens & Company, CPA, LLP

West Des Moines, Iowa
November 15, 2013

CITY OF HUXLEY

Schedule of Findings

Year ended June 30, 2013

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF HUXLEY

Schedule of Findings

Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-13 Segregation of Duties - One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the following functions are not entirely segregated: cash receipts, general ledger posting, reconciliations and investment control and custody.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to monitor its control procedures to obtain the maximum internal control possible under the circumstances. The City could segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Response - We will monitor the procedures as suggested.

Conclusion - Response acknowledged.

- II-B-13 Crossover Refunding - The City obtained new financing for the purposes of conducting a crossover refunding of older bond issues. The City did not reflect on the general ledger the proceeds of the new bond issue or the escrow balance account of the 2006 bond issue at June 30, 2013.

Recommendation - We recommend that procedures be put into place for the City to record all activity of crossover and advance refunding transactions.

Response - The City has subsequent to the year end posted the activity to the general ledger. The City will adopt procedures to insure that activity of all refunding bond issues all reflected on the records of the City.

Conclusion - Response accepted.

- II-C-13 Preparation of Financial Statements - A properly designed system of internal control over financial reporting calls for the preparation of an entity's financial statements and accompanying notes to the financial statements by internal personnel of the entity. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We recognize that with a limited number of office employees, preparation of the financial statements is difficult. The effect of this condition is that the financial reporting is prepared by a party outside of the entity. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

Recommendation - We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements internally.

CITY OF HUXLEY

Schedule of Findings

Year ended June 30, 2013

INTERNAL CONTROL DEFICIENCIES - CONTINUED:

Response - This finding and recommendation is not a result of any change in City procedures, rather it is due to an auditing standard implemented by the American Institute of Certified Public Accountants. The City will continue to seek additional training and experience and evaluate the need for additional resources to enable our staff to achieve the goal of drafting our financial statements internally.

Conclusion - Response accepted.

II-D-13 Revenue Bonds and Notes - Noncompliance with the water and sewer revenue bond resolutions were noted during the year ended June 30, 2013. There were no funds set aside in designated sinking funds and reserve funds as required by the revenue bond resolutions.

Recommendation - Procedures should be implemented to ensure that all bond resolutions are complied with.

Response - We will establish the required revenue “sinking fund” and “reserve fund” as required.

Conclusion - Response accepted.

II-E-13 Revenue Bonds and Notes - April 30, 2013, water and sewer refunding bonds were issued to pay down the 2002 and 2009 issues. At June 30, 2013, no payments had been made on the 2002 and 2009 bond issues as required and the 3% interest continued to accrue.

Recommendation - We recommend that the City officials should monitor bond activity on a timely basis to maximize the intended savings anticipated by the issuance of the refunding bonds.

Response - We will monitor the procedures as suggested.

Conclusion - Response accepted.

II-F-13 Revenue Bonds and Notes - \$5,000 issued on the sewer-series 2009 SRF bonds in March 2013 was deposited in the TIF fund.

Recommendation - Revenue should be deposited in fund for which it was intended.

Response - We will transfer \$5,000 from TIF to the sewer fund.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

CITY OF HUXLEY

Schedule of Findings

Year ended June 30, 2013

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-13 Questionable Disbursements - We noted no expenditures for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-B-13 Travel Expenses - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-C-13 Business Transactions - No business transactions between the City and City officials or employees were noted.
- III-D-13 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-E-13 City Council Minutes - No transactions were found that we believe should have been approved in the City Council Minutes but were not. However, we did not note the minutes of certain City Council proceedings were not approved by the City Council

Although minutes of certain City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, they City did not publish certain City Council proceedings as required by the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should approve and publish minutes as required.

Response - We will approve and publish minutes as required in the future.

Conclusion - Response accepted.

- III-F-13 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-G-13 Financial Condition - The City had deficit balances at June 30, 2013 as follows:

Fund	Amount
Special Revenue:	
Tax Increment Financing	\$ 95,785
Employee Benefits	7
Capital Projects:	
Wastewater Facility Project	2,333
HDC Extension	250,239
Timberline Culvert Extension	9,400
Centennial West	8,710
Main Ave Storm Water	148,330

CITY OF HUXLEY

Schedule of Findings

Year ended June 30, 2013

Part III: Other Findings Related to Required Statutory Reporting - Continued:

Recommendation - The City should continue in their efforts of returning these funds to a sound financial position.

Response - The City agrees that deficit fund balances in the funds listed are not desirable.

Conclusion - Response acknowledged.

- III-H-13 Urban Renewal Annual Report - The urban renewal annual report was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed on January 22, 2013.

In addition, the following exceptions were noted:

The City's beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund report on the Levy Authority Summary do not agree with the City's general ledger.

Recommendation - The City should ensure that the cash balances and debit amounts reported on the levy authority summary agree with the City's records.

Response - These items will be reported on next year's report.

Conclusion - Response accepted.

- III-I-13 Certified Budget - Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.